PUBLIC EMPLOYEES RETIREMENT BOARD
Employee Investment Advisory Council
100 North Park
Helena MT 59601
May 19th, 2008

Kathy Samson; Council Chair with the following in attendance, called the meeting to order:

Council Members:

Labor Organization Representative: Tom Schneider
Director of Research, MEA-MFT: Tom Bilodeau
Board of Investments Representative: Rande Muffick
State Employee Representative: Ed Dawes
State Employee Representative: Mary Spaulding
Local Government Employee Representative: Ron Alles
Retired Public Employee Representative: Jim Penner
Director of Labor Relations, Montana University System: Kevin McRae
School District Employee Representative: Pam Fleisner

Others in attendance are as follows:

MPERA staff: Melanie Symons, Roxanne Minnehan, Barb Quinn, Scott Miller
Board Representatives: Terry Smith and Ray Peck
Great West Retirement Services: Andrew Light
Wilshire representatives: Charles Stunkard and Michael Schlachter

Excused:

State Employee Representative: Paula Stoll
Local Government Employee Representative: James Helgeson
Local Government Employee Representative: Lisa Smith

Housekeeping Items:

March 28th minutes were brought forth for approval. Kathy Samson discussed the Munder Small Cap fund. EIAC had voted to replace the fund (per erroneous information from Kathy). However, it was not up for replacement but just probation. Therefore, EIAC put forth a motion to re-consider.

Ron Alles moved to withdraw the motion to replace the Munder Small Cap fund from the minutes.

Tom Schneider seconded.

Motion passed unanimously.

***Public Comments*:** None

Ron Alles moved to approve minutes as written.

Randy Muffick seconded the motion.

Motion passed unanimously.

***Public Comments*:** None

Intent of Meeting

Provide educational information specifically relative to what is called a Qualified Default Investment Alternative (QDIA), under the 2006 Pension Protection Act (PPA).

Qualified Default Investment Alternative

A QDIA must meet the PPA and Department of Labor regulations.

A QDIA must be:

1. A life-cycle or targeted-retirement-date fund
2. A balanced fund
3. A professionally managed account (discretionary managed account)

EIAC's focus: To determine an appropriate QDIA within the 457 plan.

The top two products are:

1. Target-date fund
2. Retirement-date fund

Why EIAC is focusing on the 457 plan:

1. The 457 plan is a voluntary plan and not covered by ERISA, however, ERISA regulations are typically followed.
2. The 401(a) plan already has a balanced fund so which can be an appropriate QDIA.
3. To make sure that participants have the best alternatives regardless of the plan they are in.

Michael Schlachter, Wilshire Representative, presented a power point overview of Target Retirement Date Funds.

Some of the key components of target date funds discussed were:

1. Participant ease
    a. Automatic asset allocation and diversification
    b. Allows investment choice based on expected retirement rather than risk tolerance
2. Structure considerations
    a. Asset classes to use and at what levels
    b. How to benchmark
    c. Process for adding or removing managers
    d. Performance; risk-adjusted returns (participant communication)
    e. Expenses
3. Implementation
    a. Off the shelf or custom
    b. Complete re-enrollment or participant directed

Comments: It is important due diligence to explore all options for plan participants.

<u>Charles Stunkard, Wilshire Representative, presented a power point overview of Defined Contribution Plan Solutions; Wilshire RetirePath and TargetPath.</u>

Some of the key components of discretionary managed accounts discussed were:

1. Participant ease
   a. Automatic asset allocation and diversification
   b. Incorporates participant's individual circumstances
2. Optional solutions
   a. A step further/beyond lifecycle or balanced funds
   b. May improve participants' income replacement ratio
   c. May improve number of participants achieving reasonable income replacement
3. Implementation
   a. Provider may accept fiduciary responsibility as registered investment advisor
   b. Interface with record keeper
   c. Participant enrollment process changes

Comments from Great West: We have two programs for (opt-out) if participants have not made an election, or haven't completed the enrollment process. They are:

1. Three strike rule, which means three pieces of correspondence were sent to a participant, prior to any money being collected. These communications state that:
   a. If they don't like the plan they can opt-out, they can choose other options at that point.
   b. They can send in a form prior to that 90 day election window
   c. The third strike letter states at this point you have not responded so we are enrolling you in this managed account service.
2. Participants are given the managed account option upon hire, and are allowed 90 days to make their election.

The meeting concluded with general discussions about automatic enrollment and its impact on a QDIA or vice versus (Impact of QDIA on auto-enrollment).

Per request, copies of DOL regulations will be sent to all EIAC members.
EIAC Question and Answers from the presentation are on attachment to these minutes.

Kathy Samson adjourned the meeting at 4:30pm.